

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Universal Service Contribution)	WC Docket No. 06-122
Methodology)	

EMBARQ CORPORATION'S REPLY COMMENTS

Embarq Corporation,¹ on behalf of its incumbent local, competitive local, long distance, and wireless operations, filed comments on the above-captioned matter in response to the REPORT AND ORDER AND NOTICE OF PROPOSED RULEMAKING (NPRM) released June 27, 2006². In those comments, Embarq commended the Commission's efforts and supported its decision adopting a higher, interim safe harbor rate for wireless carriers and requiring VoIP providers to contribute to the Universal Service Fund (USF). In addition,

¹ On May 17, 2006, Sprint Nextel Corporation transferred the Sprint Local Operating Companies that were Sprint's incumbent local exchange carrier operations by means of a stock dividend to shareholders and the creation of a new holding company, Embarq Corporation. The former Sprint Local Telephone Operating Companies are now subsidiaries of Embarq Corporation and are independent of Sprint Nextel Corporation. Additionally, Embarq Corporation's subsidiaries, Embarq Communications, Inc. and Embarq Communications of Virginia, Inc. provide long distance and wireless services.

²*Universal Service Contribution Methodology, Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review-Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format, IP-Enabled Services*, WC Docket No. 06-122, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, WC Docket No. 04-36, Report and Order and Notice of Proposed Rulemaking, para. 26 and 52 (rel. June 27, 2006). (*Contribution Methodology NPRM*).

Embarq offered specific suggestions for improvements to the interim proposal, including the imposition of a mechanism that adjusts the wireless safe harbor more frequently, the imposition of rigorous, consistent traffic study requirements that rely on end-to-end analysis of calls to jurisdictionalize this traffic,³ and, in recognition of the inherent bias in traffic studies the Commission found, the imposition of a floor below which a wireless traffic study will be subject to pre-approval by the Commission or USAC.

Many of the commenting parties focused on the positive interim steps implemented by the Commission and offered their own suggested refinements, often generally consistent with those supported by Embarq in its initial Comments. For example, the Nebraska Rural Independent Companies also suggests a periodic adjustment to the interim safe harbor percentage to reflect wireless end-user harbor percentage on a more frequent basis.⁴ However, others simply repeated calls for comprehensive universal service reform and a shift from the Commission's current contribution method without addressing the immediate need to take steps to insure that the current fund contribution method is equitable, nondiscriminatory, specific, sufficient and predictable as other methods are considered. Although Embarq supports efforts for a

³ Or, if originating and terminating NPA-NXX will be used, the recommendation that the result be increased by a factor to recognize that that NPA alone understates a significant segment of wireless calling—that being calls placed to or from a wireless phone when a customer is engaged in interstate traveling.

⁴ See, e.g. Comments of The Nebraska Rural Independent Companies, at page 4. The comments of many parties generally offered a range of positions including arguments for higher (or lower) wireless (or VoIP) safe harbor percentages, and for (or against) an NPA-NXX-basis for jurisdictionalizing calls. Embarq's initial comments address its position on these issues and will not be repeated here.

comprehensive reform of USF, USF reform should not and cannot be considered in isolation. Instead, it must be considered along with intercarrier compensation reform and any accompanying affect on retail customers.

These issues of universal service reform and intercarrier compensation reform are complex, inter-related and of vital importance to carriers and customers alike. Accordingly, Embarq believes it is premature to consider a fundamental change in the USF contribution mechanism when so many questions regarding the impact of that change remain unanswerable. For example, the end-user impact of a shift to a yet to be defined numbers-based assessment mechanism will largely depend upon the overall size of the fund being supported. Yet, it is unclear whether or not supporters are assuming inclusion of the over \$2.2 Billion additional USF dollars needed to implement the "Missoula Plan" currently before the Commission.⁵ Thus, Embarq agrees with the Commission that "the discrete interim reforms we make to expand the contribution base will best promote the statutory requirements set forth in section 254 of 1996 Act in the near-term, while providing the Commission with the opportunity to continue to address the challenges of fundamental reform."⁶

As the Commission notes, no consensus approach to reform has developed, including any consensus on the issue of moving from a revenue-based contribution methodology to a different contribution methodology whether numbers-based, capacity-based, connection-based or some other

⁵ The estimated \$2.225 Billion in new USF funding includes funding related to the new Restructure Mechanism, Early Adopter Fund, and changes to the High Cost Loop Fund and support for Lifeline. *Missoula Intercarrier Compensation Reform Plan*, CC Docket No. 01-92, Exhibit 1.

⁶ *Contribution Methodology NPRM*, at para. 21.

method. In fact, even comments that purport to support one method of contributing over another method (e.g. a numbers-based assessment) do not necessarily agree on the intricacies of that method, or, at a minimum, the details have not been fully developed upon which to comment to know if there is consensus among supporters. For example, while many parties advocate a move to a “numbers-based” contribution mechanism, it is not clear whether such a mechanism will be assessed on all numbers uniformly or whether certain numbers are discounted for wireless “family plans.”⁷ And, if a numbers-based mechanism includes a wireless family plan discount, are wireline customers with a second line also discounted? If discounted, how and how much? With or without discounts, is such a method compliant with 47 USC §254(d) such that “[e]very telecommunications that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service.”

The Commission is to be commended for expanding the USF contribution base to include VoIP providers, and for increasing the wireless safe harbor to better account for the realities of current wireless calling patterns. Embarq believes that until there is sufficient certainty and data to accurately evaluate the end-user impacts of any fundamental change in contribution methods, retaining the current contribution method and expanding the contribution base

⁷ Both proposals have been presented to the Commission. See e.g. February 1, 2006, Ex Parte Presentation of CTIA, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, at pg. 5, wherein CTIA advocates that wireless “family” plans, month-to-month wireless customers, and prepaid wireless customer numbers should be discounted by 50%.

is warranted. Embark agrees with the Commission's conclusion that measured interim steps are preferable to a sudden shift toward radical, undeveloped, disputed, alternative contribution method(s).

Respectfully submitted,

EMBARQ CORPORATION

By 

Linda K. Gardner
5454 W. 110th Street
Overland Park, KS 66211
(913) 345-6193
Linda.Gardner@Embark.com

September 8, 2006

CERTIFICATE OF SERVICE

I hereby certify that a copy of Embarq Corporation's Comments in WC Docket 06-122 was delivered by electronic mail or United States Postal Service on this 8th day of September, 2006 to the parties listed below and on the attached list.



Linda K. Gardner

ECFS

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

VIA E-MAIL

Antoinette Stevens
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
Room 5-A361
445 12th Street, SW, Rm. 5-B540
Washington, DC 20554
Antoinette.Stevens@fcc.gov

Best Copy and Printing Inc.
Portals II
445 12th Street, SW, Rm. CY-B402
Washington, DC 20554
fcc@bcpiweb.com

New Jersey Board of Public Utilities
Two Gateway Center
8th Floor
Newark, NJ 07102

Multi-Link Telecom, LLC
2460 West 26th Avenue
Suite #380-C
Denver, CO 80211

Thomas M. Sullivan
409 3rd Street, SW, Suite 7800
Washington, DC 20416

Robert Irving, Esq.
10307 Pacific Center Court
San Diego, CA 92121

Brian Peters
1250 Eye Street, NW, Suite 200
Washington, DC 20005

Douglas E. Hart
Frost Brown Todd LLC
2200 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

CTIA - The Wireless Association
1400 16th Street, NW, Suite 600
Washington, DC 20036

Nicole Paolini-Subramanya
307 N. Michigan Avenue
Suite 1020
Chicago, IL 60601

Mr. Robert Sutherland
5565 Glenridge Connector
Suite 1700
Atlanta, GA 30342

Staci L. Pies
5512 Amesfield Court
Rockville, MD 20853

Daniel Mitchell
4121 Wilson Blvd., 10th Floor
Arlington, VA 22203

Steven Teplitz
800 Connecticut Avenue, NW
Suite 800
Washington, DC 20006

National Cable & Telecommunications
Association
1724 Massachusetts Avenue, NW
Washington, DC 20036-1903

Christopher M. Heimann
1120 20th Street, NW
Suite 1000
Washington, DC 20036

Distribution List - Embarq Corporation Reply Comments - WC Docket No. 06-122

Carl Wolf Billek
520 Broad Street
Newark, NJ 07102

Jeffrey S. Lanning
607 14th Street, NW
Suite 400
Washington, DC 20005-2150

Angela Brown
Suite 4300
675 West Peachtree Street, NE
Atlanta, GA 30375-0001

Mitchell Brecher
Greenberg Traurig, LLP
800 Connecticut Avenue, NW
Suite 500
Washington, DC 20006-2728

Joshua Seidemann
Woods & Aitken LLP
2154 Wisconsin Avenue, NW
Suite 200
Washington, DC 20007

Brita D. Strandberg
Harris Wiltshire and Grannis LLP
1200 18th Street NW
Washington, DC 20036

David L. Nace
Lucas, Nace, Gutierrez & Sachs, Chtd.
1650 Tysons Blvd., Suite 1500
McLean, VA 22102

Alexicon Telecommunications Consulting
2055 Anglo Drive, Suite 201
Colorado Springs, CO 80918

Jeffrey Linder
Wiley Rein & Fielding LLP
1776 K Street NW
Washington DC 20006

Iowa Utilities Board
350 Maple Street
Des Moines, IA 50319-0069

Eric Menge
409 Third St., SW
Washington DC 20416

Ari Fitzgerald
Hogan & Hartson LLP
555 Thirteenth Street, NW
Washington, DC 20004-1109